

## Message Text

CONFIDENTIAL

PAGE 01 MEXICO 10459 010245Z  
ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SP-02 ICA-11 AID-05 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 /089 W  
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R 262235Z JUN 78  
FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 1057  
INFO TREASURY WASHDC  
ALL USCONS MEXICO POUCH

C O N F I D E N T I A L MEXICO 10459

C O R R E C T E D C O P Y (TEXT)

EO 11652: GDS  
TAGS: ELAB, EGEN, MX  
SUBJECT: WAGE AND PRICE POLICY AIRED AT HIGH LEVEL

BEGIN UNCLASSIFIED

1. CTM CHIEF FIDEL VELASQUEZ AND PRESIDENT LOPEZ PORTILLO, ADORNED BY A HEAD TABLE OF SIX GOM CABINET MEMBERS AND SEVERAL TOP LABOR LEADERS, INAUGURATED A CTM-SPONSORED "NATIONAL MEETING FOR ECONOMIC REFORM" IN THE MEXICO CITY INTERAMERICAN SOCIAL SECURITY CENTER ON JUNE 25. THE GATHERING PRODUCED SEVERAL WARNINGS FROM TOP LABOR LEADERS THAT GOM WAGE RESTRICTIONS ARE CREATING SERIOUS SOCIAL PROBLEMS FOR WORKERS WHO ARE FACED WITH UNCONTROLLED AND RISING PRICES. JOAQUIN GAMBOA PASCOE, WHO IS PRESIDENT OF THE CONGRESSIONAL GRAND COMMISSION (COMPARABLE TO OUR WAYS AND MEANS COMMITTEE) AND GENERAL SECRETARY OF THE HUGE FEDERAL DISTRICT WORKERS FEDERATION, CLAIMED JLP'S ALLIANCE FOR PRODUCTION HAS BECOME "A PURE MONOLOGUE OF LABOR" AND IS "PRICEWISE, A FAILURE (EN MATERIA DE COMERCIALIZACION, UN FRACASO)". ECONOMIST  
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PAGE 02 MEXICO 10459 010245Z

ENRIQUE JACKSON, DIRECTOR OF THE JOINT COMMISSION FOR WAGE PROTECTION, AVOWED THAT WORKERS HAVE LOST 17 PERCENT PURCHASING POWER SINCE JANUARY 1977 WITH 12 PERCENT OF THIS TOTAL OCCURRING IN THE FIRST SIX MONTHS OF 1978.

2. DON FIDEL TOOK LESS HIDE OFF JLP'S "ALLIANCE/ BUT WARNED THAT "WITHOUT THE AID OF ECONOMIC REFORM, ADMIN

ISTRATIVE AND POLITICAL REFORM WILL NOT PRODUCE THE BENEFICIAL EFFECTS WHICH YOU (JLP) ARE SO EAGERLY SEEKING". JLP SHORT REMARKS DID NOT ADDRESS THE CRITICISM OR OFFER ANY INDICATION OF A CHANGE OF GOM POLICY.

3. THE MOST INTERESTING NEWS OF THE OCCASION WAS PRODUCED BY LABOR SUB-SECRETARY GUSTAVO CARVAJAL MORENO, THE OFFICIAL WHO HAS CARRIED MOST OF THE BURDEN FOR MAINTAINING THE GOM WAGE GUIDELINES. IN A POST-SESSION PRESS INTERVIEW, CARVAJAL REVEALED THAT THE GOM HAS NO PLANS FOR A GENERAL ADJUSTMENT THIS YEAR. "SUCH ACTION WOULD

BRING ABOUT A RETURN OF THE WAGE-PRICE ESCALATION OF THE PAST." WHEN ASKED FOR REACTION TO CONGRESS OF LABOR PRESIDENT OSCAR TORRES PANCADO'S RECENT STATEMENT THAT THE CONGRESS WILL SEEK TO REVISE THE 12-PERCENT GUIDELINE UPWARD TO THE 15- TO 21-PERCENT LEVEL, HE DEFTLY SIDESTEPED THE QUESTION BY STATING THAT "THERE ARE NO GOM GUIDELINES." HE CLAIMED THAT SEVERAL NEGOTIATIONS HAVE RESULTED IN 15-PERCENT OR HIGHER SETTLEMENTS (IGNORING THE FACT THAT THE GOM HAS ALLOWED NO MAJOR UNIT TO SETTLE FOR HIGHER THAN 12 PERCENT), AND INSISTED THAT UNION AND MANAGEMENT ARE FREE TO REACH ANY AGREEMENT THEY WANT.

4. PRESS REPORTS ON THE AFFAIR CLAIMED THAT THE PEMEX UNION GEN-SECY TORRES PANCADO, WHO IS PRESENTLY SERVING CONFIDENTIAL

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PAGE 03 MEXICO 10459 010245Z

A SIX-MONTH STINT AS HEAD OF THE CONGRESS OF LABOR, WAS NOT INVITED BECAUSE OF THE "RELATIVE SMALL SIZE OF THE AUDITORIUM." END UNCLASSIFIED

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5. COMMENT: WHILE SOME STRONG CRITICISM OF GOM WAGE POLICY AND FAILURE TO EFFECTIVELY RESTRAIN PRICES WAS REGISTERED, THE MEETING PRODUCED LITTLE TO INDICATE THAT JLP WILL DEPART FROM HIS PLAN TO REDUCE INFLATION. DON FIDEL'S FAILURE TO JOIN THE CHORUS OF CRITICISM ON WAGE POLICY INDICATES HIS CONTINUED SUPPORT OF THE PRESIDENT.

6. THE JLP-VELASQUEZ ACT OF REFUSING TO INVITE TORRES PANCADO TO THE AFFAIR MAY HAUNT THEM WHEN THE LATTER CHAIRS THE FIRST GENERAL ASSEMBLY OF THE CONGRESS OF LABOR IN JULY (THE COL HAS HISTORICALLY BEEN RUN THROUGH THE SMALLER 40-ODD MEMBER EXECUTIVE BOARD). HIS ABSENCE AT THIS AFFAIR MOST PROBABLY WAS CAUSED BY HIS RECENT STRONG CRITICISM OF THE INADEQUACY OF THE 12-PERCENT LIMITS AND HIS GENERAL REPUTATION AS ONE OF THE MOST CORRUPT LEADERS OF THE MOST CORRUPT MEXICAN UNION. SURELY THERE WAS ROOM AT A HEAD TABLE OF 25 AND AUDITORIUM OF 300 SEATS FOR THE TOP TITULAR POSITION IN MEXICAN LABOR. TORRES CAN BE

CONTROLLED BY THE SYSTEM, BUT HE IS A WEAK LEADER AND  
CHAIRMAN, AND HE MAY NOT BE ABLE TO CONTROL THE LARGE  
GATHERING OF RELATIVELY DIVERSE LABOR ELEMENTS WHICH WILL  
ASSEMBLE ON JULY 8. HE PROBABLY WILL BE LESS DISPOSED TO  
CONTROL THEM BECAUSE OF THE SNUB. LUCEY

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## Message Attributes

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